

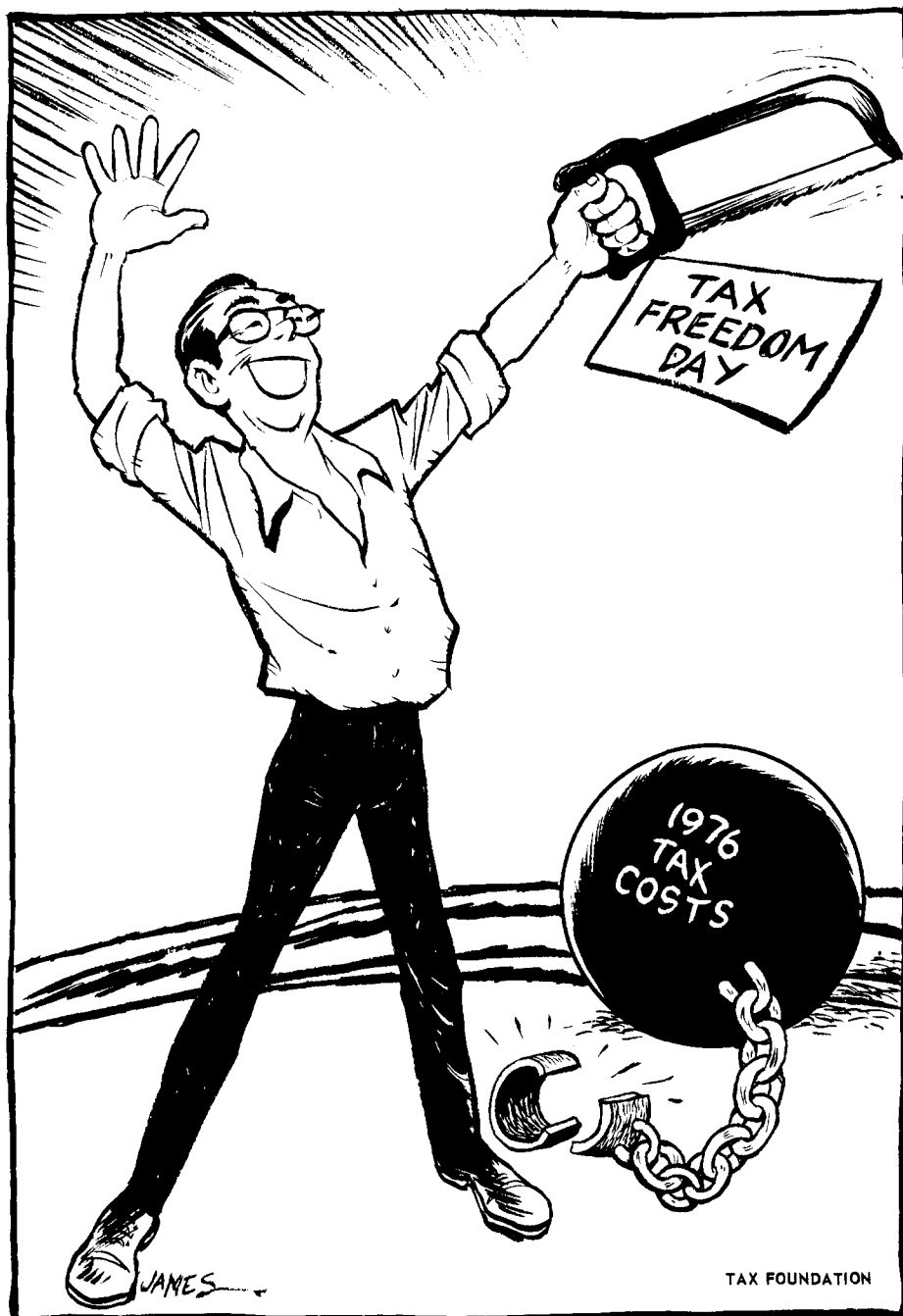
MONTHLY TAX FEATURES



Tax Foundation, Inc.

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May Day Can Be Celebrated As "Tax Freedom Day"



Black and white prints of this cartoon are available to editors.

May Day takes on added significance this year. Calculations show that May 1 is the day when we have all finished paying our taxes.

Tax Foundation has dubbed it "Tax Freedom Day." It is calculated on the basis of how many days the average taxpayer will have to work in 1976 to earn enough money to fulfill all his tax obligations—Federal, state and local.

Last year Tax Freedom Day was celebrated April 28, but revised figures from the government on income, population and estimated tax receipts now show that the actual date was April 30.

The latest calendar date for Tax Freedom Day was in 1974 when it occurred on May 4. It has moved back in 1975 and 1976 due to the tax cuts enacted by Congress in those years.

Breaking their calculations down further, Tax Foundation finds that the time required in an eight-hour work day to pay all these taxes comes to two hours and 39 minutes. And that's up from last year's tax bite of two hours and 35 minutes.

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Tax Bite in the Eight-Hour Day 1976

Item	Hours and Minutes
Taxes, Total	2 hours 39 minutes
Federal	1 hour 41 minutes
State and local	58 minutes
Food and beverages	1 hour 5 minutes
Housing and household operation	1 hour 32 minutes
Clothing	29 minutes
Transportation	39 minutes
Medical care	25 minutes
Recreation	19 minutes
All other ¹	52 minutes

¹Includes consumer expenditures for items such as personal care, personal business and private education; and savings.

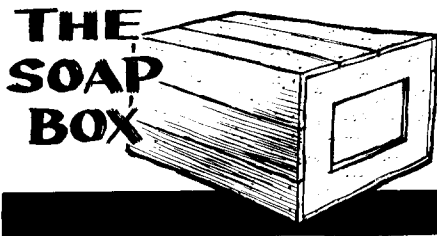
Source: Estimated by Tax Foundation as of March 15, 1976.

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"Increased capital formation is essential to meeting our long-term goals of full employment and noninflationary growth."

—Gerald R. Ford

* * *

"I strongly believe that the individual wage-earner has the right to spend his own money on the goods and services he wants, rather than having the Government increase its control over the disposition of his income."

—Ibid.

* * *

"If people cared more, they would create a more liberal society, and by liberal I mean a society with more freedom. A free society such as ours can be brutally indifferent to some things. But in the main, liberty is the concern of all of us, and this is what liberalism is all about."

—Daniel Patrick Moynihan

* * *

"Our economic system has been seriously damaged by Congress's fiscal irresponsibility."

—Rep. William L. Armstrong (Colo.)

* * *

"With pension funds emerging as the major owners of American big business,

National Tax Conference Program Set

Donald I. Rogers, well-known financial writer and syndicated columnist for the Hearst Newspapers and King Features Syndicate, is scheduled as the principal dinner speaker at the annual National Taxpayers Conference in Washington, Tuesday, April 6. The dinner meeting is the high point of a three-day session attended by officials of state taxpayer organizations. Nearly thirty states are represented at the meetings hosted by Tax Foundation.

Speakers scheduled to take part in the conference opening Monday, April 5, include Senator Carl Curtis (Neb.), who will discuss "The Constitutional Approach to Balancing the Budget," and Senator Harry Byrd (Va.) on "Taxes and the Economy."

Other seminar session leaders scheduled are: James Kelly of the House Ways and Means Committee on "The Social Security Financing Dilemma"; Professor Martin Feldstein, Harvard economist, on "The Issues in Unemployment Insurance;" and Maynard Waterfield, director of Tax Foundation's Washington office, on "Congress and the 1977 Budget."

S. Keith Anderson, who heads the Montana Taxpayers Association, is chairman of the National Taxpayers Conference.

Keynote speaker is Robert C. Brown, executive vice president of Tax Founda-

tion. Professor Lowell Harriss of Columbia University and a Tax Foundation economics consultant, will discuss "The Capital Force" at the Monday luncheon meeting.

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Tuesday's sessions include Hon. Robert Hampton, chief of the Civil Service Commission, speaking on "Federal Compensation Policy Proposals"; Nancy Hayward of the National Commission on Productivity and Work Quality, who speaks on "Productivity in the Public Sector"; and Elsie Watters, director of research, Tax Foundation. Dr. Watters will discuss "Public Employee Retirement Systems."

Wednesday's speakers include Priscilla Crane, director of information, Office of Revenue Sharing, on the "Outlook for Congressional Action on Revenue Sharing"; Bill Thurman of the General Accounting Office, on "Reform of the Categorical Grant"; and Terry Mattock of Tax Foundation, on "Grant Consolidation Proposals."

Dinner Speaker Donald Rogers was for 16 years business and financial editor of the New York *Herald Tribune* and a syndicated daily columnist. Rogers' articles critical of government economic policies, which he predicted would lead to inflation and unemployment, were blamed for President Kennedy's cancelling the White House subscription to his newspaper. The predictions, nevertheless, came true.

the corporation income tax has become a punitive tax on the American worker."

—Peter F. Drucker

* * *

"The biggest obstacle to job creation in the U.S. today is Congress . . ."

—*Business Week*, Dec. 29.

* * *

"HELP. ONE TAX BITE IS ENOUGH . . . the double taxation of dividends is an inequity that needs immediate attention. We must make it attractive for individuals and corporations to put their capital to work productively. The double taxation of dividends encourages debt financing and discourages equity financing. It's not an us-vs.-them issue. We're all in the same boat."

—Dean Witter

"Tax Freedom Day"

(Continued from Page 1)

May Day is an ancient spring festival. It is also a Marxist holiday. And it has become, in the international language of air navigation, a cry for help.

"Our research does not go into taxpayers' reactions to their responsibilities to pay taxes," says Tax Foundation's Bob Brown, "but it would be my guess they are happy and relieved to have completed this obligation. Whether May Day is perceived as a joyous spring festival or a cry for help remains to be seen. In my own view, four full months a year to work for the

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"Tax Freedom Day"

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government is just about enough," he adds.

In terms of the amount of work to earn the money, taxes are the largest item in the average family budget. Housing and household operations are far behind at one hour and 32 minutes. Food and drink are one hour and five minutes, transportation is 39 minutes, medical care is 25 minutes, recreation 19, and all other items such as savings add up to 52 minutes.

The two-hour and 39-minute tax bite out of the working day breaks down into one hour and 41 minutes for Federal taxes, and 58 minutes for state and local taxes. Last year's breakdown was one hour and 38 minutes for Federal, and 57 minutes for state and local taxes.

Tax Bite in the Eight-Hour Work Day —Historical Comparisons

Year ¹	Hours: Minutes		
	All taxes	Federal	State-local
1929	:52	:19	:33
1930	:57	:17	:39
1931	1:00	:14	:46
1932	1:16	:15	1:00
1933	1:24	:26	:59
1934	1:20	:29	:51
1935	1:18	:29	:49
1936	1:17	:32	:46
1937	1:24	:40	:44
1938	1:28	:40	:48
1939	1:24	:38	:46
1940	1:28	:45	:43
1941	1:39	1:03	:36
1942	1:43	1:14	:29
1943	2:08	1:43	:24
1944	2:00	1:38	:23
1945	2:04	1:41	:24
1946	2:00	1:34	:26
1947	2:02	1:34	:28
1948	1:54	1:25	:28
1949	1:49	1:17	:32
1950	2:01	1:29	:31
1951	2:10	1:40	:30
1952	2:11	1:40	:31
1953	2:11	1:39	:32
1954	2:04	1:31	:34
1955	2:08	1:34	:34
1956	2:12	1:36	:36
1957	2:14	1:36	:37
1958	2:11	1:32	:39
1959	2:16	1:37	:39
1960	2:22	1:40	:42
1961	2:22	1:39	:43
1962	2:23	1:40	:44
1963	2:26	1:42	:44
1964	2:20	1:35	:45
1965	2:20	1:35	:45
1966	2:24	1:39	:45
1967	2:26	1:39	:47
1968	2:35	1:46	:49
1969	2:43	1:53	:50
1970	2:37	1:45	:52
1971	2:36	1:40	:56
1972	2:41	1:44	:57
1973	2:40	1:43	:56
1974 ²	2:44	1:48	:56
1975 ²	2:37	1:39	:58
1976 ³	2:39	1:41	:58

¹Calendar year basis.

²Preliminary.

³Estimated.

Source: Compiled by Tax Foundation, Inc.

Workers Get 76% of National Income

Wages and salaries in the U.S. continued to bound ahead in 1975 to a new high of \$921.4 billion, according to Tax Foundation.

That's 76.2 percent of the nation's

total income for the year, which stood at \$1,209.5 billion.

While the percent of national income paid to employees in 1975 was down a fraction to 76.2 percent from the 1974

National Income by Type of Income Selected Calendar Years 1950—1975

Year	National income, total	Compensation of employees	Proprietors' income ¹	Corporate profits ²	All other ³
Amount in billions					
1950	\$236.2	\$154.8	\$38.4	\$33.7	\$ 9.3
1955	328.0	224.9	42.5	44.6	16.0
1960	412.0	294.9	47.0	46.6	23.5
1965	566.0	396.5	56.7	77.1	35.6
1970	798.4	609.2	65.1	67.9	56.2
1971	858.1	650.3	67.7	77.2	62.9
1972	951.9	715.1	76.1	92.1	68.6
1973	1067.2	797.7	91.7	100.2	77.6
1974	1141.1	873.0	85.1	91.3	91.7
1975 ⁴	1209.5	921.4	83.3	102.1	102.7
Percent of national income					
1950	100.0	65.5	16.3	14.3	3.9
1955	100.0	68.6	13.0	13.6	4.9
1960	100.0	71.6	11.4	11.3	5.7
1965	100.0	70.1	10.0	13.6	6.3
1970	100.0	76.3	8.2	8.5	7.0
1971	100.0	75.8	7.9	9.0	7.3
1972	100.0	75.1	8.0	9.7	7.2
1973	100.0	74.7	8.6	9.4	7.3
1974	100.0	76.5	7.5	8.0	8.0
1975 ⁴	100.0	76.2	6.9	8.4	8.5

¹With inventory valuation and capital consumption adjustment.

²Before tax.

³Rental income of persons with capital consumption adjustment; and net interest.

⁴Preliminary.

Source: U.S. Department of Commerce and Tax Foundation computations.

State Taxes to Show Only Small Increases

States are slowing the rate of increase in their spending again this year. Several have the smallest rates of increase proposed in many years. Only 12 of the 43 state legislatures meeting in 1976 will consider proposals for higher over-all levels of taxes. Amounts under discussion are not large.

These are among finding of a Tax Foundation survey published in the *March Tax Review*.

If all proposals are approved, state taxes will rise only 2 percent. Governors of eight states have taken public stands against any new taxes.

The survey reports details of prospective tax and fiscal action in 35 states.

high of 76.5 percent, proprietors' income continued its downward plunge to 6.9 percent of national income. The share of national income going to owners of businesses has declined steadily since 1950 when it was 16.3 percent. Proprietors' income in dollars was also off in 1975 to \$83.3 billion, from \$85.1 billion in 1974 and \$91.7 billion in 1973.

Corporate profits were up substantially in 1975 to \$102.1 billion from \$91.3 billion in 1974 and \$100.2 billion in 1973. The figures represent 8.4 percent of total national income in 1975, 8.0 percent in 1974 and 9.4 percent in 1973.

The data are computed by Tax Foundation from U.S. Department of Commerce reports. Gross national product was reported earlier at \$1,453.7 billion. The table above shows the fluctuations since 1950.

U.S. Budget Costs \$5,285 Per Household

If the 1977 Federal budget outlays were allocated to every household in the U.S., they would come to \$5,285 each.

So that household budget keepers may know their money is being used by the Federal government, Tax Foundation has prepared a breakdown of the functions in the budget. Many heads of households are surprised to learn which categories require the most money and the order in which they appear.

First is the outlay for health and income security at \$2,299. That comes to 43.4 cents on every dollar of outlays.

Second comes national defense at \$1,356, or 25.7 cents per dollar.

Third is interest on the Federal debt, \$554, or 10.5 cents.

These three items soak up 80 cents of every dollar of outlays proposed in the President's fiscal year 1977 Federal budget. The \$394 billion budget was analyzed in the preceding issue of Tax Foundation's *Monthly Tax Features*.

Under the category of education, which includes training, employment and social services, \$223 per household is allocated.

Natural resources, the environment and energy are \$185. Revenue sharing costs \$99, and foreign affairs is \$91. The last two items come to less than two cents apiece per dollar of expenditure.

The accompanying table gives the details of the functional breakdown in Federal budget expenditures.

**Estimated Federal Budget Outlays per Household, by Function
Fiscal Year 1977**

Function	Amount	Cents per dollar of total outlays
Total, all functions	\$5,285	100.0
Health and income security	2,299	43.5
National defense	1,356	25.7
Interest	554	10.5
Veterans benefits and services	231	4.4
Education, Training, Employment, and social services	223	4.2
Commerce and Transportation	221	4.2
Natural resources, environment, and energy	185	3.5
Revenue sharing; other general fiscal aids	99	1.9
International affairs and finance	91	1.7
Community and regional development	74	1.4
General science, space, and technology	60	1.1
General government	46	.9
Law enforcement and justice	46	.9
Agriculture and agricultural resources	23	.4
Allowances for civilian pay raises and contingencies	30	.6
Undistributed offsetting receipts ¹	-253	-4.9

¹Includes interest received by trust funds, rents and royalties on Outer Continental Shelf, etc.

Source: Computed by Tax Foundation from data published by the Office of Management and Budget and U.S. Department of Commerce.

Rapid Rise in Federal Debt Affects the Entire Economy

The Federal debt stands at \$600 billion. By October 1977 it will exceed \$719 billion and will be even higher if spending rises faster than the President proposes.

Gross Interest Bill: \$12.5 Billion

Government debt, debt management, ceilings, credit and the effect of debt on the economy are subjects dealt with in Tax Foundation's *April Tax Review*. The author, Professor C. Lowell Harriss of Columbia University, points out that net interest on the present debt—\$35 billion in 1976—is three-fourths of corporate income tax collections. As recently as 1967 the gross interest bill was \$12.5 billion.

Professor Harriss, economic consultant to Tax Foundation, sees only a slowing of Federal deficits until recovery, and the new Congressional budgetary procedures can be expected to end them.

But even when the debt does not grow, its existence poses problems. In the first two months of 1976 Treasury borrowings including rollovers were \$9.5 billion a *week*. Maturity terms shorten. "Such a massing of obligations due soon forces the Treasury to borrow in large amounts and at frequent intervals."

But how good is government credit?" the professor asks. A recent assessment shows Federal assets of \$329 billion and liabilities of \$1,141 billion.

Requests Flood in for TF Research and Information

Public interest in government finance is on an upward slope these days. So it seems from the increase in the number of individuals requesting research and information at the Tax Foundation. That's a pretty good barometer since it includes inquiries from the news media—a reflection of readership curiosity—from business and financial organizations, colleges and government.

The yearend report shows a 22 percent increase from 1974 in the number of requests for information. Year-to-year increases occurred in all major categories, with the largest rise, 66 per-

cent, reported in the news media classification, which represented nearly 50 percent of the total.

Requests ranged from general tax background material in preparation for a radio broadcast to comparative statistics on the tax burdens per capita in two or more specific cities. The total number of inquiries received was 1,541. To answer them required anywhere from ten minutes to two weeks of research.

These inquiries included preparation of special materials for reference publications such as *The Associated Press Almanac*, *Information Please Almanac*, *World Almanac*, *Reader's Digest Almanac*, and *The Saturday Review Desk Diary*.

Debt Ceiling A Big Handicap

In the author's opinion, the creditworthiness of most states and localities is "substantial," but as a result of New York's experience both taxpayer-voters and lenders will exercise more caution in the future.

Congress should get rid of the debt ceiling. "Why keep a ceiling which rarely lasts more than a few months?" asks Professor Harriss. "It causes the Executive Branch to come before the House and then the Senate in the posture of an applicant."

The new Congressional budget process now offers a more systematic means of examining the totality of Federal finances, he points out.